OILEX LTD

ABN 50 078 652 632

INTERIM REPORT

31 December 2017

INTERIM REPORT 31 DECEMBER 2017

CONTENTS

The directors present their report together with the condensed interim financial report of the Group comprising of Oilex Ltd (the Company) and its subsidiaries for the half year ended 31 December 2017 and the auditor's review report thereon.

Directors

The directors of the Company at any time during the interim period and until the date of this report are detailed below. All directors were in office for this entire period unless otherwise stated.

Mr Bradley Lingo	Non-Executive Chairman
Mr Max Dirk Jan Cozijn	Non-Executive Director (retired 29 November 2017)
Mr Paul Haywood	Non-Executive Director
Mr Jonathan Salomon	Managing Director

Financial

The half year ended 31 December 2016 exploration expenditure included the decrease in the joint venture partners' share of creditors initially taken up by the Group in its capacity as operator, resulting in a net writeback of $375,516 in the prior period. The impairment of receivables owing from Gujarat State Petroleum Corporation (GSPC) has increased with $1,580,298 being impaired in the current period. Whilst progress has been made in recovering outstanding cash calls from GSPC, in the absence of a repayment schedule and in line with identified impairment indicators, the Company has elected to provide in full the amounts owing from its Joint Venture partner as well as amounts owing from the Cambay and Bhandut Joint Ventures. The Group incurred a consolidated loss after income tax of $3,239,011 for the half year (31 December 2016: loss of $3,243,406). Revenue for the period came from production at Cambay-77H which was producing up to 8 December 2017 when production was cycled to Cambay-73 as part of a reservoir management plan. Cash and cash equivalents held by the Group as at 31 December 2017 was $974,687 (30 June 2017: cash and cash equivalents $3,215,565).

Review of Operations

During the period, the Company continued to focus on evaluating and commercialising the extensive Eocene low permeability (tight) reservoirs in its onshore Cambay Field project located in the state of Gujarat, India. Oilex also continues to review other opportunities to create value and diversify risk by adding new assets to the Company's project portfolio.

Cambay Field

Oilex continues to focus its resources on unlocking the multi-TCF in-place tight gas potential in its onshore Cambay Block, Gujarat State, India, with the current focus on unconventional (tight) Eocene reservoirs which are known to be gas charged and referred to as the EP-III/IV or X and Y Zones.

Commercialising the EP-IV tight gas

Oilex continues to evaluate and implement a range of technical programme options at Company's Cambay project. North American unconventional drilling, completion and stimulation technologies have been applied by the Joint Venture over the last seven years with positive but commercially modest results and work is underway to optimise results for future work programmes.

In August 2017, the Company announced the results of a technical review of core data completed by Schlumberger and Baker Hughes who were appointed to complete a report on the reasons for under-performance of past wells. Their work scope was to identify any substantial impediments to achieving potential commercial flow rates and to advise on the optimal well and stimulation design required to take the project forward. The work confirmed the substantive potential of the EP-IV reservoir at Cambay, and provided specific solutions to be employed in the execution of future drilling and well completion programmes. The findings confirmed the importance of implementing a tailored approach to unlocking the potential commercial success of the large gas resource at the Company's Cambay project.

The current technical work programmes are focused on:

- Obtaining a ten-year extension of the Cambay PSC (incorporating a proposed Field Development Program). The FDP and application for an extension of the PSC term was lodged in the September 2017 quarter and the Company is working closely with the Director General of Hydrocarbons and the Ministry of Petroleum and Natural Gas to secure the extension;
- Preparing detailed work programmes including new wells for implementation following the assumed grant of the extension of the Cambay PSC;
- Resolution of outstanding cash calls payable by the Company's Joint Venture partner GSPC; and
- The Company continues to evaluate new opportunities to add to the Company's project portfolio.

Cambay-73 and Cambay-77H

Gas production re-started from Cambay-77H in May 2017 and from Cambay-73 in December 2017. The current gas sales agreements were renegotiated to take any additional produced volumes as and when required. The Company plans to cycle production between C-77 and C-73 as part of its reservoir management.

Production Sharing Contract (PSC) Term

In support of the PSC extension application the Field Development Plan (FDP) was completed in September 2017 and lodged with the Director General of Hydrocarbons (DGH). The application, for a ten-year extension of the PSC term beyond its expiry in September 2019, was required to be lodged during September 2017.

The FDP was subjected to a review by the DGH with the FDP approved by the Cambay PSC Joint Venture Management Committee (MC) in January 2018. The MC comprises representatives from Oilex, GSPC, DGH and the Ministry of Petroleum and Natural Gas (MoPNG). The application for the PSC extension has now been referred by the DGH for consideration by the MoPNG. Whilst a formal response on the application is anticipated in the first half of 2018, the Company is of the opinion that a response may be received by 31 March 2018.

Cambay Joint Venture Management

Whilst the extension application process is underway, the Company continues to advance preparations for the targeted 2018 work programme. The targeted work programme will draw upon the FDP which includes two vertical wells targeting the EP-IV level. The Company is currently working on a revised work programme and budget to be submitted to the Operating Committee of Joint Venture and the DGH. The implementation of the revised 2018-19 work programme and budget is subject to extension of the PSC, additional financing being put in place by Oilex and the funding of the Cambay Joint Venture by all partners. The Company continues to engage with GSPC and other stakeholders to ensure the 2018-19 work programme and budget is equitably funded. In addition, the Company has received approaches from a number of industry participants expressing an interest in the project.

As at 31 December 2017 the Joint Venture partner owed ~US$5.6 million to the Cambay Joint Venture. Oilex continues to maintain a good dialogue and to engage constructively with its Joint Venture partner to resolve the unpaid cash calls. Oilex as Operator, continues to bear the ongoing costs of the Joint Venture and has managed payment of the Cambay Joint Venture creditors.

Bhandut Field

Oilex is the Operator and holds a 40% equity in the Bhandut Field, with GSPC holding the remaining participating interest.

The preparation of the Field Development Plan, in support of the application for an extension of the PSC was completed in September 2017 and an application for an extension of the PSC term beyond September 2019 (required to be lodged by late September 2017) was lodged with the DGH and subject to a comprehensive review.

The FDP was approved by the Bhandut PSC Joint Venture Management Committee (MC) in January 2018. The MC comprises representatives from Oilex, GSPC, DGH and MoPNG. The application for the PSC extension has now been referred by the DGH for consideration by the MoPNG. Whilst a formal response on the application is anticipated in the first half of 2018, the Company is of the opinion that a response may be received by 31 March 2018.

The field is currently on care and maintenance, however, the field has ongoing production and exploration potential, coupled with existing production facilities. The Company continues discussions with several parties for the possible sale of its participating interest in the PSC.

Wallal Graben - Western Australia (Canning Basin)

The Wallal Graben asset is located adjacent to the Pilbara, a global resource centre for iron ore and LNG in Western Australia. The Wallal Graben blocks are currently under application with the Department of Mines, Industry Regulation and Safety with the final award subject to entering into Heritage Agreements with the Nyangumarta and Njamal People.

JPDA 06-103

Oilex as operator, and on behalf of the JPDA 06-103 Joint Venture participants, continues to seek a resolution to the dispute with Autoridade Nacional do Petroleo e Minerais (ANPM) in relation to matters associated with the termination of JPDA 06-103 PSC. In July 2015, the ANPM rejected the Joint Venture request to terminate the PSC by mutual agreement in good standing and without penalty, and the ANPM sought to impose a penalty of approximately US$17 million upon the Joint Venture after terminating the PSC on 15 July 2015. The Joint Venture undertook significantly more exploration expenditure than required during the PSC term and believes the excess was not properly accounted for in accordance with the terms of the PSC.

The Joint Venture continues its discussions with the ANPM and remains hopeful an amicable settlement will be reached. If the parties are unable to reach an amicable settlement, any party may refer the matter to arbitration. If this occurs, the obligations and liabilities of the Joint Venture participants under the PSC are joint and several, with parent company guarantees provided by all Joint Venture participants. Oilex has a 10% participating interest in the Joint Venture and is the Operator.

West Kampar

The Company remains in dispute with the operating company, PT Sumatera Persada Energi (SPE) which has been declared bankrupt. The Indonesian Government regulator, SKK Migas, has confirmed that Oilex continues to retain a 45% participating interest in the PSC. In the absence of a commercial settlement, the Company intends to preserve its rights. Oilex continues to pursue enforcement of the Arbitration Award and a commercial settlement.

Emphasis of Matter

The auditor's review report contains an emphasis of matter in relation to the potential uncertainty regarding continuation as a going concern. The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business. The Group will require funding in order to continue its exploration activities and progress the Cambay Field drilling programme.

The funding requirements of the Group are reviewed on a regular basis by the Group's Chief Financial Officer and Managing Director and are reported to the Board at each board meeting to ensure the Group is able to meet its financial obligations as and when they fall due. Until sufficient operating cash flows are generated from its operations, the Group remains reliant on equity raisings, joint venture contributions or debt funding, as well as asset divestitures or farmouts to fund its expenditure commitments.

The Company continues to actively develop funding options in order that it can meet its expenditure commitments and its planned future discretionary expenditure, as well as any contingent liabilities that may arise.

Further information is provided in Note 2 (b) of the consolidated financial statements.

Corporate

Effective from 1 October 2017, the Company has implemented a further cost reduction initiative reflecting the Company's wish to preserve its cash resources ahead of the grant of the extension of the Cambay PSC. The cost reductions, which are being undertaken in both Perth and India, include:

- 20% overall reduction in personnel costs, incorporating reduced hours;
- reduction in corporate and administration costs in the Company's head office and India;
- part payment of non-executive director fees with equity; and
- deferral of all non-essential expenditure.

Mr Max Cozijn elected to retire from the Board and consequently did not seek re-election at the Company's Annual General Meeting held 29 November 2017.

On 12 December 2017, the Company announced that it had entered into subscription agreements for a conditional two tranche capital raising to secure funding of up to A$2.35 million before expenses. The placement, part of which is subject to certain conditions set out below, will issue up to 507,134,737 new fully paid ordinary shares.

Tranche 1 The Company issued 157,894,737 shares at $0.0038 raising $600,000 before expenses; and

Tranche 2 The Company will issue approximately 349,240,000 shares at a price of A$0.005 to raise a further $1.75 million.

Tranche 1 was allotted on 29 January 2018. The issue of the Tranche 2 shares is subject to shareholder approval, as well as the successful extension of the Cambay PSC by the Government of India for a further ten years on or before 31 March 2018. The Company anticipates holding its general meeting to approve Tranche 2 on 14 March 2018.

The placees include new institutional investor, Republic Investment Management Pte Ltd (Republic). Following the completion of Tranche 1 Republic holds a 7.04% interest in Oilex, and will increase its holding to approximately 19.9% following the completion of Tranche 2.

Significant Events After Balance Date

On 29 January 2018 the Company issued 157,894,737 shares at $0.0038 per share raising $600,000 before expenses.

There are no other significant subsequent events occurring after balance date.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' Report for the half year ended 31 December 2017.

Signed in accordance with a resolution of the Board of Directors.

Mr Brad Lingo	Mr Jonathan Salomon
Chairman	Managing Director

West Perth, Western Australia
22 February 2018

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Oilex Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Oilex Ltd for the half-year ended 31 December 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Derek Meates

Partner

Perth

22 February 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 $	31 December 2016 $
Revenue	6(a)	**60,813**	63,468
Cost of sales	6(b)	**(43,760)**	(190,675)
Gross profit/(loss)		**17,053**	(127,207)
Other income	6(c)	**-**	190,853
Exploration expenditure		**(415,332)**	(134,767)
Administration expense	6(d)	**(1,142,580)**	(1,384,795)
Share-based payments expense		**(55,132)**	(5,825)
Other expenses	6(e)	**(1,601,851)**	(1,734,570)
Results from operating activities		**(3,197,842)**	(3,196,311)
Finance income		**3,801**	10,720
Finance costs		**(18)**	(53)
Net foreign exchange loss	6(f)	**(44,952)**	(57,762)
Net finance loss		**(41,169)**	(47,095)
Loss before income tax		**(3,239,011)**	(3,243,406)
Tax expense		**-**	-
Loss for the period		**(3,239,011)**	(3,243,406)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		**(41,528)**	53,821
Other comprehensive income for the period, net of income tax		**(41,528)**	53,821
Total comprehensive loss for the period		**(3,280,539)**	(3,189,585)
Earnings per share			
Basic loss per share (cents per share)		**(0.19)**	(0.27)
Diluted loss per share (cents per share)		**(0.19)**	(0.27)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 December 2017 $	30 June 2017 $
Assets			
Cash and cash equivalents		**974,687**	3,215,565
Trade and other receivables	7	**438,784**	1,742,283
Prepayments		**43,563**	128,549
Inventories		**1,244,606**	1,188,110
Total current assets		**2,701,640**	6,274,507
Exploration and evaluation	8	**511,488**	518,670
Development assets	9	**5,843,166**	5,927,288
Property, plant and equipment		**197,380**	220,954
Total non-current assets		**6,552,034**	6,666,912
Total assets		**9,253,674**	12,941,419
Liabilities			
Trade and other payables	10	**795,441**	1,253,787
Employee benefits		**250,540**	229,752
Provisions	11	**942,308**	955,538
Total current liabilities		**1,988,289**	2,439,077
Provisions	11	**3,184,026**	3,228,731
Total non-current liabilities		**3,184,026**	3,228,731
Total liabilities		**5,172,315**	5,667,808
Net assets		**4,081,359**	7,273,611
Equity			
Issued capital	12	**172,954,766**	172,866,479
Reserves		**7,800,554**	8,093,764
Accumulated losses		**(176,673,961)**	(173,686,632)
Total equity		**4,081,359**	7,273,611

The above Condensed Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

	Note	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
		Attributable to Owners of the Company				
		$	**$**	**$**	**$**	**$**
		12				
Balance at 1 July 2016		171,513,760	930,742	7,495,119	(170,610,647)	9,328,974
Total Comprehensive (loss)/income for the period						
Loss		-	-	-	(3,243,406)	(3,243,406)
Other comprehensive income						
Foreign currency translation differences		-	-	53,821	-	53,821
Total other comprehensive income		-	-	53,821	-	53,821
Total comprehensive (loss)/ income for the period		-	-	53,821	(3,243,406)	(3,189,585)
Transactions with owners of the Company						
Contributions and distributions						
Shares issued		100,000	(100,000)	-	-	-
Shares issued on exercise of options		-	-	-	-	-
Capital raising costs		-	-	-	-	-
Transfers on forfeited options		-	(435,429)	-	435,429	-
Share-based payment transactions		-	5,825	-	-	5,825
Total transactions with owners of the Company		100,000	(529,604)	-	435,429	5,825
Balance at 31 December 2016		171,613,760	401,138	7,548,940	(173,418,624)	6,145,214
Balance at 1 July 2017		172,866,479	583,571	7,510,193	(173,686,632)	7,273,611
Total Comprehensive (loss)/income for the period						
Loss		-	-	-	(3,239,011)	(3,239,011)
Other comprehensive income						
Foreign currency translation differences		-	-	(41,528)	-	(41,528)
Total other comprehensive income		-	-	(41,528)	-	(41,528)
Total comprehensive (loss)/ income for the period		-	-	(41,528)	(3,239,011)	(3,280,539)
Transactions with owners of the Company						
Contributions and distributions						
Shares issued		55,133	-	-	-	55,133
Shares issued on exercise of options		43,146	-	-	-	43,146
Capital raising costs		(9,992)	-	-	-	(9,992)
Transfers on forfeited options		-	(251,682)	-	251,682	-
Share-based payment transactions		-	-	-	-	-
Total transactions with owners of the Company		88,287	(251,682)	-	251,682	88,287
Balance at 31 December 2017		172,954,766	331,889	7,468,665	(176,673,961)	4,081,359

The above Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	31 December 2017 $	31 December 2016 $
Cash flows from operating activities		
Cash receipts from customers	**63,746**	89,990
Payments to suppliers and employees	**(1,490,886)**	(2,619,420)
Cash outflows from operations	**(1,427,140)**	(2,529,430)
Payments for exploration and evaluation expenses	**(840,208)**	(681,764)
Interest received	**3,752**	10,518
Interest paid	**(18)**	(53)
Net cash used in operating activities	**(2,263,614)**	(3,200,729)
Cash flows from investing activities		
Proceeds from sale of assets and scrap materials	**-**	474
Acquisition of development assets	**-**	(2,240)
Acquisition of property, plant and equipment	**-**	(18,853)
Net cash used in investing activities	**-**	(20,619)
Cash flows from financing activities		
Proceeds from exercise of options	**43,146**	-
Payment for share issue costs	**(9,992)**	-
Net cash from financing activities	**33,154**	-
Net decrease in cash held	**(2,230,460)**	(3,221,348)
Cash and cash equivalents at 1 July	**3,215,565**	5,158,361
Effect of exchange rate fluctuations	**(10,418)**	(50,973)
Cash and cash equivalents at 31 December	**974,687**	1,886,040

The above Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1. REPORTING ENTITY

Oilex Ltd (the Company) is a for-profit entity domiciled in Australia. The condensed consolidated interim financial report of the Group as at and for the half year ended 31 December 2017 comprise the Company and its subsidiaries (collectively the Group and individually Group Entities). Oilex Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and on the Alternative Investment Market (AIM) of the London Stock Exchange. The Group is primarily involved in the exploration, evaluation, development and production of hydrocarbons.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2017 is available upon request from the Company's registered office at Ground Floor, 44a Kings Park Road, West Perth, Western Australia 6005 or at www.oilex.com.au.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The condensed consolidated interim financial report is a general purpose condensed financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001,* and IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial report does not include all of the notes and information included in an annual financial report and accordingly this report should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2017.

This condensed consolidated interim financial report was authorised for issue by the Board of Directors on 22 February 2018.

(b) Going Concern Basis

The Directors believe it is appropriate to prepare the consolidated financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a loss of $3,239,011 and had cash outflows from operating activities of $2,263,614. As at 31 December 2017, the Group's current assets exceeded current liabilities by $713,351 and the Group has cash and cash equivalents of $974,687.

The Group will require additional funds by 30 June 2018 in order to meet planned expenditures for its projects and ongoing administrative expenses. The Group may also require funds in relation to the matter set out in note 13. The Group has entered into subscription agreements for a conditional capital raising, subject to shareholder approval (which is scheduled for 14 March 2018) and the extension of the Cambay PSC by the Government of India for a further ten years on or before 31 March 2018, to raise approximately $1,746,200 before costs (refer to note 12). If the Cambay PSC approval is not completed by 31 March 2018, the Group will likely seek to extend the subscription agreements. If there is a material delay in the Cambay PSC approval, the Group will likely seek to raise additional funding based on its history of previous capital raisings. Further funds will be required within the next 12 months to progress the Cambay Field drilling programme, and for any new business opportunities that the Group may pursue.

The Directors believe that the Company will be able to secure sufficient funding to meet the requirements to continue as a going concern, due to its history of previous capital raisings, acknowledging that the structure and timing of any capital raising is dependent upon investor support, prevailing capital markets, shareholder participation, oil and gas prices and the outcome of planned exploration and evaluation activities, which creates uncertainty.

The Directors consider the going concern basis of preparation to be appropriate based on its forecast cash flows for the next twelve months and that the Group will be in a position to continue to meet its minimum administrative, evaluation and development expenditures and commitments for at least twelve months from the date of this report.

If further funds are not able to be raised or realised, then it may be necessary for the Group to sell or farmout its exploration and development assets and to reduce discretionary administrative expenditure.

The ability of the Company to achieve its forecast cash flows, particularly the raising of additional funds, represents a material uncertainty that may cast significant doubt about whether the Group can continue as a going concern, in which case it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the stated amounts in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2017.

4. ESTIMATES AND JUDGEMENTS

The preparation of a condensed consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2017.

5. OPERATING SEGMENTS

The Group has identified its operating segments based upon the internal reports that are reviewed and used by the executive management team in assessing performance and that are used to allocate the Group's resources. There has been no change in the basis of segmentation from the Group's 30 June 2017 annual consolidated financial report.

	India		Australia		JPDA [1]		Indonesia		Corporate [2]		Consolidated	
Six months ended 31 December	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$
Revenue												
External Revenue	**60,813**	63,468	**-**	-	**-**	-	**-**	-	**-**	-	**60,813**	63,468
Reportable segment loss before income tax	**(1,939,312)**	(1,052,064)	**-**	(60,916)	**(13,743)**	(817,729)	**(38,677)**	(5,740)	**(1,206,110)**	(1,259,862)	**(3,197,842)**	(3,196,311)
Net finance income											**3,783**	10,667
Foreign exchange loss											**(44,952)**	(57,762)
Loss for the period											**(3,239,011)**	(3,243,406)

	India		Australia		JPDA [1]		Indonesia		Corporate [2]		Consolidated	
	31 Dec 2017	30 June 2017	**31 Dec 2017**	30 June 2017	**31 Dec 2017**	30 June 2017	**31 Dec 2017**	30 June 2017	**31 Dec 2017**	30 June 2017	**31 Dec 2017**	30 June 2017
	$	$	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$
Segment assets	**8,205,108**	11,191,203	**475**	215	**16,808**	6,791	**-**	-	**1,031,283**	1,743,210	**9,253,674**	12,941,419
Segment liabilities	**3,577,530**	3,868,800	**-**	-	**775,278**	784,834	**271,218**	302,418	**548,289**	711,756	**5,172,315**	5,667,808

There were no significant inter-segment transactions during the half year.

(1) Joint Petroleum Development Area.

(2) Corporate represents a reconciliation of reportable segment revenues, profit or loss and assets to the consolidated figure.

6. REVENUE AND EXPENSES

	31 December 2017 $	31 December 2016 $
(a) Revenue		
Oil sales	**-**	9,747
Gas sales	**60,813**	53,721
	60,813	63,468
(b) Cost of Sales		
Production costs	**(114,898)**	(191,140)
Amortisation of development assets	**(2,055)**	(223)
Movement in oil stocks inventory	**73,193**	688
	(43,760)	(190,675)
(c) Other Income		
Recovery of recharges	**-**	190,853
	-	190,853
(d) Administration Expenses		
Employee benefits expense	**(486,141)**	**(691,453)**
Redundancy benefits	**(20,320)**	**(191,519)**
Administration expense	**(636,119)**	**(895,223)**
Corporate Advisory Fee	**-**	**(300,000)**
Insurance recovery	**-**	**693,400**
	(1,142,580)	**(1,384,795)**
(e) Other Expenses		
Depreciation expense	**(21,553)**	**(27,594)**
Loss on disposal of assets	**-**	**(3,335)**
Provision for termination penalty (refer note 13)	**-**	**(795,123)**
Doubtful debts expense	**(1,580,298)**	**(908,518)**
	(1,601,851)	**(1,734,570)**
(f) Foreign Exchange loss - net		
Foreign exchange loss - realised	**(19,921)**	**(2,026)**
Foreign exchange loss - unrealised	**(25,031)**	**(55,736)**
	(44,952)	**(57,762)**

7. TRADE AND OTHER RECEIVABLES

	31 December 2017 $	Year Ended 30 June 2017 $
Current		
Allocation of receivables		
Joint venture receivables	**214,742**	1,377,795
Other receivables	**224,042**	364,488
	438,784	1,742,283
Joint venture receivables		
Joint venture receivables	**5,625,741**	5,323,861
Provision for doubtful debts	**(5,410,999)**	(3,946,066)
	214,742	1,377,795
Other receivables		
Corporate receivables	**333,303**	473,749
Provision for doubtful debts	**(109,261)**	(109,261)
	224,042	364,488

Joint venture receivables include the Group's share of outstanding cash calls and recharges owing from the joint venture partners.

The Group considers that there is evidence of impairment if any of the following indicators are present; financial difficulties of the debtor, probability that the debtor will dispute the amounts owing and default or delinquency in payment (more than one year old).

Whilst the Group has been in continuing discussions with its joint venture partner Gujarat State Petroleum Corporation, for repayment of disputed and other amounts owing, in the absence of a payment schedule and in line with identified above impairment indicators, the balance of outstanding Cambay, Bhandut and Sabarmati cash calls receivable have been fully provided for in the current period.

The impairment by the Company of the outstanding cash calls, also impacts the recoverability of recharges owing from the joint ventures, and consequently the provision has been increased to cover these receivables.

The Group is continuing discussions in order to resolve the outstanding issues and recover payment of the outstanding amounts.

	31 December 2017 $	Year Ended 30 June 2017 $
Movement in the provision for doubtful debts		
Opening balance	**(4,055,327)**	(4,666,694)
Provisions (made)/reversed during the period	**(1,517,018)**	473,112
Effect of movements in exchange rates	**52,085**	138,255
Closing balance	**(5,520,260)**	(4,055,327)
Allocation of provision		
Joint venture receivables	**(5,410,999)**	(3,946,066)
Other receivables	**(109,261)**	(109,261)
	(5,520,260)	(4,055,327)

8. EXPLORATION AND EVALUATION

	31 December 2017 $	Year Ended 30 June 2017 $
Opening balance	**518,670**	909,593
Expenditure capitalised	**-**	1,380
Impairment of exploration and evaluation expenditure	**-**	(373,780)
Effect of movements in foreign exchange rates	**(7,182)**	(18,523)
Closing balance	**511,488**	518,670

Exploration and evaluation assets are reviewed at each reporting date to determine whether there is any indication of impairment or reversal of impairment. When a well does not result in the successful discovery of potentially economically recoverable reserves, or if sufficient data exists to indicate the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full, either by development or sale, it is impaired.

In the year ended 30 June 2017 the Group recognised an impairment of $373,780 relating to STP-EPA-0131 seismic costs capitalised in the Canning Basin following an internal evaluation which showed that these assets were unlikely to be recouped through successful development or sale and hence would not recover costs capitalised to date.

9. DEVELOPMENT ASSETS

	31 December 2017 $	Year Ended 30 June 2017 $
Cost		
Opening balance	**15,631,750**	16,161,010
Acquisition of development assets	**-**	1,499
Effect of movements in foreign exchange rates	**(205,186)**	(530,759)
Closing balance	**15,426,564**	15,631,750
Amortisation and Impairment Losses		
Opening balance	**9,704,462**	10,022,006
Impairment of development assets	**-**	-
Amortisation charge for the period	**2,055**	943
Effect of movements in foreign exchange rates	**(123,119)**	(318,487)
Closing balance	**9,583,398**	9,704,462
Carrying Amounts		
Opening balance	**5,927,288**	6,139,004
Closing balance	**5,843,166**	5,927,288

Cambay Field Development Assets

There was no impairment of the Cambay Field development assets during the period (June 2017: Nil)

Development assets are reviewed at each reporting date to determine whether there is any indication of impairment or reversal of impairment. Indicators of impairment can include changes in: market conditions, future oil and gas prices and future costs. Where an indicator of impairment exists, the assets recoverable amount is estimated. Development assets are assessed for impairment on a cash generating unit (CGU) basis. The CGU is the Cambay Field, India.

No indicators of impairment were identified as at 31 December 2017 based on a review of key assumptions.

The PSC primary term expires in September 2019. The Government of India has issued a PSC extension policy which enables the Company to apply for an extension to the PSC to the earlier of the economic life of the field or 2029, subject to a field development plan being submitted. The Cambay Field development plan was submitted in September 2017. The CGU's recoverable amount includes the assumption that the extension will be obtained.

10. TRADE AND OTHER PAYABLES

	31 December 2017 $	Year Ended 30 June 2017 $
Trade creditors	**208,046**	593,978
Accruals	**587,395**	659,809
	795,441	1,253,787

The Company's assessment of the recoverability of outstanding cash call amounts owing from its joint venture partner GSPC has resulted in an additional impairment (refer note 7) and consequently the Company is of the opinion that the Joint Venture will be unable to meet its third party liabilities without financial support from the Company as Operator, due to non-payment of outstanding cash calls by the joint venture partner. As a result, the Group has accrued $53,679 as at 31 December 2017 (June 2017: $49,800, December 2016: $88,607) to cover Cambay, Bhandut and Sabarmati Joint Venture third party liabilities.

11. PROVISIONS

	31 December 2017 $	Year Ended 30 June 2017 $
Site restoration, well abandonment and other provisions		
Opening balance	**4,184,269**	3,526,179
Provision adjustments during the period - Termination (refer note13)	**-**	795,229
Effect of movements in foreign exchange rates	**(57,935)**	(137,139)
Closing balance	**4,126,334**	4,184,269
Current - Restoration and Termination	**942,308**	955,538
Non-current - Restoration	**3,184,026**	3,228,731
	4,126,334	4,184,269

12. ISSUED CAPITAL

	31 December 2017 Number of Shares	**31 December 2017 $ Issued Capital**	30 June 2017 Number of Shares	30 June 2017 $ Issued Capital
Shares				
On issue 1 July - fully paid	**1,684,302,899**	**172,866,479**	1,180,426,999	171,513,760
Issue of share capital				
Shares issued for cash	**-**	**-**	488,888,887	1,836,214
Shares issued on exercise of options (1)	**11,722,222**	**43,146**	-	-
Shares issued for services (2)	**16,032,877**	**55,133**	-	-
Shares issued for non-cash	**-**	**-**	12,987,013	100,000
Conversion of retention rights	**-**	**-**	2,000,000	14,000
Capital raising costs		**(9,992)**		(597,495)
On issue at the end of the period - fully paid	**1,712,057,998**		1,684,302,899	
Issued Capital as at the end of the period		**172,954,766**		172,866,479

(1) 11,722,222 unlisted options with an exercise price of 0.225 pence (A$0.0037) were exercised in September 2017.

(2) 2,087,044 shares were issued in September 2017 and 13,945,833 shares were issued in December 2017 as consideration for consulting services at an issue price of $0.004 per share.

Subsequent Events

On 12 December 2017, the Company announced that it had entered into subscription agreements for a conditional two tranche capital raising to secure funding of up to A$2.35 million before expenses.

The placement, part of which is subject to certain conditions set out below, will secure up to A$2.35 million before expenses through the issue of up to 507,134,737 fully paid ordinary shares, as follows:

Tranche 1 The Company issued 157,894,737 shares at $0.0038 raising $600,000 before expenses; and

Tranche 2 The Company will issue approximately 349,240,000 shares at a price of $0.005 to raise a further A$1.75 million.

Tranche 1 was allotted on 29 January 2018. The issue of the Tranche 2 shares is subject to shareholder approval, as well as the successful extension of the Cambay PSC by the Government of India for a further ten years on or before 31 March 2018. The Company anticipates holding its general meeting to approve Tranche 2 on 14 March 2018.

The placees include new institutional investor, Republic Investment Management Pte Ltd (Republic). Following the completion of Tranche 1 Republic holds a 7.04% interest in Oilex, and will increase its holding to approximately 19.9% following the completion of Tranche 2.

13. PROVISIONS AND CONTINGENT LIABILITIES

Contingent Liabilities at Reporting Date

In November 2006, Oilex (JPDA 06-103) Ltd (Operator) and the Joint Venture parties entered into a Production Sharing Contract (PSC) with the Designated Authority for JPDA 06-103 and the PSC was signed in January 2007 (effective date 15 January 2007).

On 12 July 2013 the Operator, on behalf of the Joint Venture participants, submitted to the Autoridade Nacional do Petroleo e Minerais (ANPM), a request to terminate the PSC by mutual agreement in accordance with its terms and without penalty or claim due to the ongoing uncertainty in relation to security of tenure. This request required the consent of the Timor Sea Designated Authority.

On 15 May 2015 the ANPM issued a Notice of Intention to Terminate and on 15 July 2015 issued a Notice of Termination and Demand for Payment (Notice). The demand for payment (100%) of the penalty claim of US$17,018,790 is the ANPM's estimate of the cost of exploration activities not undertaken in 2013, as well as certain local content obligations set out in the PSC. In addition, the ANPM asserts that the Joint Venture Partners are liable to interest on the monetary claim at a rate of 5.2% compounded monthly.

The Joint Venture has made overpayments in the PSC work programme and considers certain excess expenditure should be included as part of any financial assessment incorporated within the termination process. Notwithstanding the Group's belief that no penalty is applicable, both parties have made a number of offers to settle the matter, none of which have yet resulted in settlement of the matter. In view of ongoing activities to resolve this matter, the Group recorded a provision of US$600,000 (refer note 11) in the prior financial year, being the Group's share of a possible settlement of the JPDA matter. The provision and or settlement is subject to variation dependent upon ongoing negotiations with the ANPM.

In the event the parties are unable to reach an amicable settlement, any party may refer the matter to arbitration. The obligations and liabilities of the Joint Venture participants under the PSC are joint and several.

The equity interest of the Joint Venture participants are:

Oilex (JPDA 06-103) Ltd	10%
Pan Pacific Petroleum (JPDA 06-103) Pty Ltd	15%
Japan Energy E&P JPDA Pty Ltd	15%
GSPC (JPDA) Limited	20%
Videocon JPDA 06-103 Limited	20%
Bharat PetroResources JPDA Ltd	20%
Total	100%

14. RELATED PARTIES

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the consolidated annual financial report of the Group as at and for the year ended 30 June 2017.

During the reporting period shareholders at the AGM held on 29 November 2017 approved the issue of remuneration shares in lieu of cash payments of Directors fees for the period 1 November 2017 to 31 October 2018. These shares are to be issued on a quarterly basis in respect of the Directors fees payable for the preceding quarter.

15. CHANGE IN THE COMPOSITION OF THE GROUP

Since the last annual reporting date, there have been no significant changes in the composition of the Group.

Merlion Energy Resources Private Limited, a wholly owned oil and gas consulting subsidiary of Oilex Ltd, was incorporated in India on 24 January 2018.

16. EXPENDITURE COMMITMENTS

Exploration Expenditure Commitments

In order to maintain rights of tenure to exploration permits, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various state and national governments. These obligations are subject to renegotiation when application for an exploration permit is made and at other times. These obligations are not provided for in the financial report.

The expenditure commitments are currently estimated to be payable as follows:

	31 December 2017 $	Year Ended 30 June 2016 $
Within one year	**-**	-
One year or later and no later than five years	**-**	-
	-	-

Future commitments may include the Canning Basin Exploration Permit Applications. The formal exploration permit period does not commence until Oilex accepts an offer of a Petroleum Exploration Permit from the Government of Western Australia, Department of Mines and Petroleum.

There are no minimum exploration work commitments in the Cambay and Bhandut Production Sharing Contracts.

When obligations expire, are re-negotiated or cease to be contractually or practically enforceable, they are no longer considered to be a commitment.

Further expenditure commitments for subsequent permit periods are contingent upon future exploration results. These cannot be estimated and are subject to renegotiation upon expiry of the exploration leases.

Capital Expenditure Commitments

The Group had no capital expenditure commitments as at 31 December 2017 (30 June 2017: Nil).

17. SUBSEQUENT EVENTS

On 29 January 2018 the Company issued 157,894,737 shares at $0.0038 per share raising $600,000 before expenses.

Other than the above disclosures, there has not arisen in the interval between the end of the financial year and the date of this report an item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

In the opinion of the Directors of Oilex Ltd (the Company):

1. the condensed consolidated financial statements and notes set out on pages 6 to 19, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Mr Brad Lingo
Chairman

Mr Jonathan Salomon
Managing Director

West Perth
Western Australia
22 February 2018

KPMG

Independent Auditor's Review Report

To the shareholders of Oilex Ltd

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying condensed consolidated ***Interim Financial Report*** of Oilex Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Oilex Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2017 and of its performance for the ***Half-year*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2017
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Oilex Ltd (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note "Going Concern Basis" in the Interim Financial Report. The conditions disclosed in Note 2(b), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

KPMG

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001*. As auditor of Oilex Ltd, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Derek Meates
Partner
Perth
22 February 2018